

CHAPTER 3F

MOTOR VEHICLE FEES

HIGHLIGHTS

- **Tax Base** For license fees, the "market value" of the vehicle. For weight fees, the unladen, or gross weight of the vehicle, or combined gross vehicle weight.
- **Tax Rate** License fees are 0.65% of the "market value" of the vehicle in calendar year 2002. The registration fee is a flat \$30 per year.
- **Revenue**

	<u>License Fees*</u>	<u>Registration Fees</u>	<u>Weight Fees</u>
2001-02	\$1.9 billion	\$1.1 billion	\$0.69 billion
2002-03 (estimate)	\$1.9 billion	\$1.1 billion	\$0.67 billion
2003-04 (estimate)	\$1.9 billion	\$1.3 billion	\$0.84 billion
- **Administration** Department of Motor Vehicles (DMV)
- **Collection** Franchise Tax Board (FTB)
(delinquencies only)

*Includes License Fee revenues to the Local Revenue Fund and the General Fund

1. TAX OVERVIEW

The **motor vehicle license fee** (VLF), also known as the automobile in-lieu tax, is levied for the privilege of operating a vehicle on the public highways of California. The tax is imposed in-lieu of a local personal property tax on automobiles. The fee is paid annually.

The **motor vehicle registration fee** is levied annually on all motor vehicles, trailer coaches, and other vehicles that use public highways.

Weight fees are levied annually for the operation of certain commercial motor vehicles.

Other vehicle-related fees include driver's license fees, transfer of title fees, motor-carrier tax and others that are not discussed in this book.

2. TAX RATES

The VLF is equal to 2% of the vehicle's "market value". AB 2797 (Cardoza), Chapter 322, Statutes of 1998, permanently reduced the VLF by 25% beginning with payments due after January 1, 1999. AB 1121 (Nakano), Chapter 74, Statutes of 1999, increased the reduction in VLF from 25% to 35% for one year commencing January 1, 2000.

AB 858 (Kuehl), Chapter 106, Statutes of 2000, AB 511 (Alquist), Chapter 107, Statutes of 2000, and SB 22 (Chesbro), Chapter 5, Statutes of 2001, had the effect of ensuring a total VLF reduction equal to 67.5% beginning in 2001. During the first half of 2001, the reduction was provided by asking fee-payers to pay VLF equal to a 35% reduction and sending them a rebate check equal to the difference between the amount they paid and a 67.5% reduction. From July 2001, the 67.5% VLF reduction was reflected on fee-payers' registration bills.

All losses of revenue to local governments that result from reducing the VLF below 2% are backfilled with state General Fund revenue.

The market value is the manufacturer's suggested base price plus options, adjusted by a depreciation schedule, as follows:

For motor vehicles, the schedule is based on an 11-year depreciation period. The base equals 100% of the purchase price in the year of sale, and is scaled down each year to 15% of purchase price in the eleventh year and thereafter. Used vehicles are placed at the top of the depreciation schedule, with the tax based on the purchase price of the used vehicle. The following table details this depreciation schedule:

1st year value	100% of market
2nd year	90%
3rd year	80%
4th year	70%
5th year	60%
6th year	50%
7th year	40%
8th year	30%
9th year	25%
10th year	20%
11th and later years	15%

- For trailer coaches or mobilehomes not on the local property tax roll, an 18-year depreciation schedule is used. Fees are based on 85% of market value in the year of sale and are scaled down to 15% of market value in the 18th and succeeding years. (See Chapter 6G of this Reference Book for more information on mobilehome taxation.)

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The annual registration fee for all vehicles is \$30 (\$28 base registration fee and \$2 California Highway Patrol fee). In addition, counties may impose a fee up to \$4 for air quality management districts. Counties may also impose a \$1 fee for the Service Authority for Freeway Emergencies (SAFE) program, a \$1 Vehicle Theft Deterrence Fee, a \$1 Abandoned Vehicle Fee, and a \$1 or \$3 fee (depending on vehicle type) for law enforcement fingerprinting identification systems.

All motorcycles registered for street use are assessed a \$2 Motorcyclist Safety Fee.

Instead of paying the annual registration fee and any supplemental fees, an owner may pay a \$10 planned non-operation fee if it is anticipated that the vehicle will not be operated during the subsequent registration year.

The City and County of San Francisco is also authorized to impose a local registration fee of \$4 and a Vehicle License Fee surcharge of up to 15%. Proceeds of either of these levies are required to be spent on public transit. Imposition of either surcharge requires approval of two-thirds of the voters voting in an election on the issue.

Additional charges are levied on vehicles with high compression engines.

The weight fee rate depends on either unladen weight of the vehicle, the declared gross vehicle weight, or combined gross vehicle weight.

3. EXEMPTIONS

Government-owned, diplomatic, civil air patrol, and farm vehicles are exempt from license fees. Privately owned school buses and vehicles owned by blind or amputee veterans are also exempt.

4. FEDERAL TAXATION

The federal government imposes a use tax on certain highway vehicles and a "gas guzzlers" tax on manufacturers of cars with low mileage ratings. All other states have fees similar to those imposed in California.

5. REVENUE

As noted earlier, the state backfills any loss of local government revenue associated with the reductions in VLF. Of the total amount of VLF revenue available to local governments, approximately 75% is deposited in the Transportation Tax Fund. This revenue is equally divided between cities and counties. The funds are then further divided among cities and among counties on a population based formula.

The remaining 25% of VLF revenues are deposited into the VLF Account of the Local Revenue Fund. These funds partially finance certain health and welfare programs, the responsibility for which the state transferred to local agencies.

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Trailer coach VLF revenues are deposited in the state General Fund. Before fiscal year (FY) 1992-93, these funds were distributed to cities, counties, and school districts on a situs basis.

The VLF on motor vehicles totaled \$1.9 billion in FY 2001-02 and is expected to raise comparable amounts in FY 2002-03 and FY 2003-04. As noted above, current law requires the state to backfill local governments the difference between VLF collections at a .65% rate and a 2% rate. \$1.9 billion was collected in FY 2001-02 (reflecting the VLF offset rate).

Motor vehicle "registration" fees generated approximately \$1.1 billion in FY 2001-02 and are expected to raise \$1.1 billion in FY 2002-03 and \$1.3 billion in FY 2003-04. Motor vehicle "registration" fees are also anticipated to raise \$1.1 billion in FY 2002-03. Out of each \$30 vehicle registration fee, two dollars provide supplemental support for the California Highway Patrol. The remaining \$28 supports the activities of all of the departments funded by the Motor Vehicle Account including Motor Vehicles, Highway Patrol, Justice and Air Resources Board.

Weight fees generated approximately \$0.69 billion in FY 2001-02 and are expected to generate \$0.67 billion in FY 2002-03 and \$0.84 billion in FY 2003-04. Weight fees accrue to the State Highway Account and are used for highway construction.

6. ADMINISTRATION

Most fees are administered by DMV. Registration and license fees are paid annually at the time of registration. Authority for collecting delinquent vehicle license and registration fees was transferred to the FTB as part of the FY 1993-94 budget package. The FTB is responsible for collecting delinquent VLFs.

7. CODE

Revenue and Taxation Code Sections 10751-11156

Motor Vehicle Code Sections 9101-9250